

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on February 6, 2001 at 8:00 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Alvin Ellis Jr., Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: House Bill 37, 1/31/2001;
Senate Bill 258, 1/31/2001;
House Bill 192, 1/31/2001
Executive Action: House Bill 37 Pass 9-0; Senate
Bill 281 Pass 9-0; House Bill
23 Pass 9-0; Senate Bill 258
Hold 1 amendment passed;
Senate Bill 264 Hold 2
amendments passed

HEARING ON HOUSE BILL 37

Sponsor: REPRESENTATIVE JOHN WITT, HD 89, CHOTEAU

Proponents: Dolores Cooney, Department of Revenue; Gordon Morris, MACO; Harold Blatties, Stillwater County Commissioner

Opponents: None

Opening Statement by Sponsor: REP. WITT described the legislation to the committee. He said the bill would update the codes to help local governments establish their mill levies and be in compliance with all the appropriate statutes. {Tape : 1; Side : A; Approx. Time Counter : 0 - 3.3}

Proponents' Testimony: Dolores Cooney, representing the Department of Revenue, spoke in support of the bill. The bill was at the request of the department. She explained the bill was a housekeeping measure. It does eliminate work that was required by the department to perform in the certification of the mill levy process. It previously contained archaic language in reference to certifying the mill levy. This bill narrows and provides that the department provide to local government the two things they need, which is taxable value and newly taxable value. {Tape : 1; Side : A; Approx. Time Counter : 3.3 - 4.8}

Gordon Morris, representing the Montana Association of Counties, spoke in favor of the bill.

Harold Blatties, Stillwater County Commissioner, spoke in favor of the bill. He described the unnecessary work that was required by the old statute.

Opponents' Testimony: None

Questions from Committee Members and Responses: SENATOR COLE asked how the sections became antiquated. **Dolores Cooney** replied that I-105 was when it began. Previous to that, local government were allowed to increase their millage 5%. This has been non-usable for some time.

Closing by Sponsor: REPRESENTATIVE WITT closed. SENATOR COLE agreed to carry the bill.

HEARING ON HOUSE BILL 192

Sponsor: REPRESENTATIVE DOUG MOOD, HD 58

Proponents: John Lawrence Ashmore

Opponents: None

Informational Witness: Jeff Miller, Department of Revenue

Opening Statement by Sponsor: REPRESENTATIVE MOOD said HB 192 would authorize the state to accept credit card payments for individual income taxes. The question raised by this legislation was who would pay the fees. He said there was currently 24 states that accepted credit cards. Eight of those pay the credit card fees while sixteen states require the taxpayer to pay the fees. **{Tape : 1; Side : A; Approx. Time Counter : 9.9 - 11.9}**

Proponents' Testimony: John Lawrence Ashmore, discussed the rationale for the bill. He said when he first moved to Montana he found he could pay his property taxes in Missoula County using his credit card but could not pay his state income taxes in the same manner. The property tax bill sent to him by the county provided the opportunity to simply write in his credit card number and expiration date. There was no fee charged to him for the service. He would like the same opportunity offered at the state level for paying state income taxes. Many people who have credit cards are provided incentives for its use. Those incentives range from frequent flyer miles, to a percentage of total purchases refunded, discounts on new vehicles - therefore the benefits to the taxpayer is obvious. He believed there was also benefits to the state. Anything that makes the taxpayer less reluctant to pay taxes should not be discounted. Payments made by credit card are made on a more timely basis. Finally, as governments move to a more paperless economy, the ability to pay electronically will be essential and that will require the acceptance of credit cards. Numerous states, as well as the federal government, already provide taxpayers with the opportunity to pay their taxes by credit card and some do not charge a fee for the opportunity, including Idaho and Oregon. At the federal level, payment by credit card is poorly utilized as is noted in the fiscal note. That may be due to the fact that the taxpayer has to pay the fees in using that process. The "convenience fee" at 2.5% is a disincentive to paying with a credit card. **{Tape : 1; Side : A; Approx. Time Counter : 11.9 - 15.4}**

Opponents' Testimony: None

Informational Witness: Jeff Miller, representing the Department of Revenue, discussed the September 2000 Survey of credit card acceptance by state agencies reported in the Federation of Tax Administrators Bulletin. **EXHIBIT(tas30a01)**

Questions from Committee Members and Responses: SENATOR ELLINGSON asked whether the fees were uniform. Mr. Miller replied that the

fees varied between three and four percent. The fee structures were negotiated with the service provider.

SENATOR HARRINGTON questioned the fiscal estimates for this service at \$20 thousand dollars. **Mr. Miller** explained the average payment was figured then modeled after the IRS experience.

SENATOR BOHLINGER stated this was something we should be able to provide our taxpayers. **REPRESENTATIVE MOOD** pointed out the Department was in a good position to negotiate a lower fee than what the individual taxpayer could do. He felt, for this reason, the state should be able to take over the fee. There is some history under the "one stop shopping" for licenses and fees that includes this program and the state does pay those fees which is distributed throughout the various agencies involved in that program. *{Tape : 1; Side : A; Approx. Time Counter : 15.4 - 25.6}*

SENATOR STONINGTON asked who paid the fees at the county level where credit cards are accepted. **Mr. Ron Alles**, Chief Administrator of Lewis and Clark County, replied that credit card fees were paid by the taxpayer as they did not benefit the county. *{Tape : 1; Side : A; Approx. Time Counter : 25.6 - 30}*

Closing by Sponsor: **REPRESENTATIVE MOOD** closed. He said this is good policy and it did not matter who paid the fee as long as the service was made available.

HEARING ON SENATE BILL 352

Sponsor: **SENATOR RIC HOLDEN**, SD 1

Proponents: Dolores Cooney, Department of Revenue

Opponents: Harold Blatties, Stillwater County Commissioner

Opening Statement by Sponsor: **SENATOR HOLDEN** presented the bill. He described the need for government working for the people. He said there were many low income people around the state surviving on their social security checks to make their payments at the end of the month. Current tax laws require payments to be made before their social security check arrives. They become delinquent paying their taxes on their home before they have the money to pay. The bill will add a twenty day grace period. Many businesses now use a grace period, including credit card companies and insurance companies. *{Tape : 1; Side : B; Approx. Time Counter : 1.5 - 5.3}*

Proponents' Testimony: Dolores Cooney, representing the Department of Revenue, spoke in support of the bill. She discussed the need for amendments that would limit this grace period to those that qualify under a class four property tax assistance program. **EXHIBIT(tas30a02)** She explained the property tax exemptions, incentives and relief outlined in the handout.

Opponents' Testimony: Harold Blatties said the bill needed amendments. The amendments would be directed specifically to the low income people. He pointed out that the Stillwater Mine could walk in on the last day to pay taxes with a \$2 million dollar check. He pointed out the possible need for a software program for counties in order to deal with this. Currently, the bills are automatically triggered with the penalties.

Testimony was distributed from **Cindy Sellers**, County Treasurer of Yellowstone County. **EXHIBIT(tas30a03)**

Questions from Committee Members and Responses: **SENATOR EKEGREN** commented that the amendments only targeted one group of people. This benefit should be provided for everyone. **SENATOR HOLDEN** said the idea came out of experiences from Governor Martz and Mark O'Keefe when they were campaigning and kept running into Montana residents who were living on social security and their checks came in after their taxes were due. **SENATOR EKEGREN** said he agreed with the idea of the bill but felt the population as a whole needed the same benefit. **{Tape : 1; Side : B; Approx. Time Counter : 5.3 - 15.1}**

SENATOR HARRINGTON asked about the increased fiscal impact if this was extended to everyone. For example, some of the major taxpayers could hold their money for twenty days. **Ms. Cooney** said there would be a loss of interest to local governments. The proposed amendments would change the fiscal note.

Closing by Sponsor: **SENATOR HOLDEN** closed. He pointed out this bill was designed to help those lower income people who are on social security and are trying to pay their taxes. **{Tape : 1; Side : B; Approx. Time Counter : 25.4 - 27}**

EXECUTIVE ACTION ON HOUSE BILL 23

SENATOR EKEGREN MOVED DO PASS. **SENATOR GLASER** pointed out that **Gordon Morris** checked on the small towns and found they were okay with the legislation.

The question was called. The motion carried 8-0 with **SENATOR HARRINGTON** being absent.

EXECUTIVE ACTION ON SENATE BILL 258

SENATOR BOHLINGER MOVED DO PASS. He distributed an amendment. **EXHIBIT (tas30a04)** He explained the amendment would bring compliance to the federal laws and was technical in nature. He moved the amendment. The question was called on the amendment. The motion was adopted unanimously. **SENATOR BOHLINGER** presented an amendment that was brought to him by **Rod Sunsted** from the Commissioner of Higher Education Office. The amendment would allow investors the option of placing money in equities as opposed to just a savings account. This amendment will accomplish that. He said the amendment had not been submitted to **Lee Heiman**. **CHAIRMAN DEPRATU** said the committee would need to hold off on executive action until this could be brought forth. **SENATOR ELLIS** said this was a good concept and for those who start early, it allowed their money to grow faster.

No action was taken on the bill.

EXECUTIVE ACTION ON SENATE BILL 264

SENATOR BOHLINGER MOVED SB 264. He explained the bill would allow alcohol taxes to be used to fund private for-profit chemical dependency treatment programs. He described the need for mental health to find money to fund mental health services. There is an opportunity to add money for that effort. He explained the need for an amendment that would hold harmless the private sector drug and alcohol treatment facilities.

EXHIBIT (tas30a05) **Lee Heiman** referred to amendments by **SENATOR WATERMAN** as #26402. **EXHIBIT (tas30a06)** {Tape : 2; Side : A; Approx. Time Counter : 16 - 20}

SENATOR STONINGTON MOVED AMENDMENTS 26404. **Lee Heiman** explained this would allow the use of Medicaid matching funds. He said amendment #26404 further amended #26402, which passed previously.

The question was called on the amendment #26404.

EXHIBIT (tas30a07) The motion was adopted unanimously.

SENATOR STONINGTON suggested holding off on more committee action since information was incomplete.

No further action was taken by the committee. *{Tape : 2; Side : B; Approx. Time Counter : 0}*

EXECUTIVE ACTION ON SENATE BILL 281

CHAIRMAN DEPRATU noted this bill was for notification for those entities who were taking tax liens on individuals properties. He said **Lee Heiman** had prepared an amendment that was acceptable to **SENATOR MAHLUM**.

SENATOR GLASER MOVED THE AMENDMENT #28101. EXHIBIT(tas30a08) He pointed out the problem this would create for the counties to publish the whole list without this amendment. The question was called on the amendment. The motion was adopted unanimously.

Lee Heiman said there was one more amendment requested by the Montana Taxpayer Association that he had prepared, #28102. **EXHIBIT(tas30a09) EXHIBIT(tas30a10)** He explained it gave the Department of Revenue rule making authority to provide notice.

SENATOR GLASER MOVED THE AMENDMENT #28013 (combined version). The question was called. The motion was adopted unanimously.

SENATOR GLASER MOVED THE BILL AS AMENDED. CHAIRMAN DEPRATU pointed out this was one way to handle the elderly home owner to give them one more notice.

The question was called. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON HOUSE BILL 37

SENATOR STONINGTON MOVED HB 37. The question was called. The motion **PASSED** unanimously.

ADJOURNMENT

Adjournment: 9:55 A.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (tas30aad)